

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08

EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

OMB-01 SS-15 STR-05 L-03 NSC-05 /115 W

-----031519 040605Z /21/46

R 281958Z SEP 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9439

INFO AMEMBASSY HELSINKI

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 28442

USOECD

C O R R E C T E D C O P Y (TEXT--PARA ONE LINE SIX OMITTED)

E.O.11652: GDS

TAGS: XCSS OECD

SUBJECT: EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS):

FINNISH APPROACH RE: EAST/WEST DISCUSSION

REF: SEPTEL TEXT OF SECRETARIAT NOTE CE(77)6

1. FINNISH DEPUTY PERMREP RISTO KAUPPI CAME TO USOECD ON SEPTEMBER 27 TO TELL US OF HIS CONCERN WITH SECRETARIAT NOTE FOR XCSS EAST/WEST DISCUSSION. KAUPPI SAID HIS APPROACH WAS NOT BASED ON INSTRUCTIONS BUT REPRESENTED THE VIEWS OF HIS DELEGATION. HE SINGLED OUT FOUR BASIC POINTS. FIRST, THE ISSUE OF FIXING CREDIT CEILINGS FOR THE EAST AS A WHOLE OR FOR INDIVIDUAL COUNTRIES (PARAGRAPH EIGHT OF CE(77)6) MIGHT INVOLVE COORDINATION OF ACTIONS TO WHICH THE FINNS HAVE NEVER AGREED IN EAST-WEST EXERCISE. SECONDLY, THE EFFORT TO DRAW UP A BALANCE OF ADVANTAGES (IN PARAGRAPH THIRTEEN) SEEMED UNNECESSARY AND GRATUITOUS TO THE FINNISH DELEGATION. CONFIDENTIAL

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THIRD, THE QUESTIONS OF COMPETITION AMONG EASTERN COUNTRIES AND LDC'S FOR WESTERN MARKETS FOR LOW COST EXPORTS (PARA 15) AND FOR ACCESS TO WESTERN CREDITS (PARA 16) ARE SENSITIVE AND BEYOND THE SCOPE OF THE EAST/WEST STUDY AS THE FINNISH DELEGATION UNDERSTOOD IT. FOURTH, KAUPPI FELT THE ORIENTATION OF THE WORK DESCRIBED IN PARAGRAPH 19 WOULD "ADD A WHOLE NEW ELEMENT" TO THE

EAST/WEST EXERCISE. ASKED TO ELABORATE ON THIS POINT, KAUPPI REFERRED SPECIFICALLY TO THE PROVISION FOR REGULAR AND UPDATED STUDIES (PARA 19A) AND TO THE STUDY OF THE EFFECTS OF EASTERN ECONOMIC INTEGRATION ON INTRA EAST AND EAST AND WEST TRADE (PARA 19C I).

2. IN RESPONSE WE SAID WE HAD ONLY JUST RECEIVED TEXT OF CE(77)6 AND INDEED HAD ONLY JUST FINISHED CABLING IT TO WASHINGTON. THEREFORE WE HAD NO INSTRUCTIONS AND COULD REACT ONLY WITH PERSONAL VIEWS. AS WE SAW IT OBJECTIVES OF EAST/WEST EXERCISE HAD BEEN TO EXAMINE EAST/WEST ECONOMIC RELATIONS ACROSS A COMPREHENSIVE RANGE OF ISSUES TO SEEK TO DETERMINE WHAT PROBLEMS MIGHT BE DEVELOPING AND TO DETERMINE WHETHER ANY COMMON VIEW MIGHT CRYSTALLIZE ON HOW TO ATTACK THESE PROBLEMS. FROM THIS VIEWPOINT IT WAS ENTIRELY APPROPRIATE FOR THE SECRETARIAT PAPER TO HAVE IDENTIFIED SOME PROBLEMS AND IT WAS CERTAINLY APPROPRIATE FOR THE POLICY-LEVEL REPRESENTATIVES AT THE XCSS TO SEEK TO COME TO A COMMON VIEW OF THEM. AS TO THE WORK ENVISAGED IN PARAGRAPH 19, WE DID NOT SEE THAT THIS INVOLVED ANYTHING ESSENTIALLY NEW SINCE IT WAS NATURALLY DESIRABLE TO SHARPEN THE FOCUS OF THE ANALYSES ALREADY UNDERTAKEN IN PARTICULAR WAYS.

3. WE ALSO THOUGHT IT APPROPRIATE THAT THE ORGANIZATION SHOULD CONTINUE TO FOLLOW EAST/WEST TRENDS IN ORDER TO
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BE SURE THAT ALL MEMBER COUNTRIES HAD CLEARER VIEW OF WHAT DEVELOPMENTS ARE IN TRAIN. WE SUGGESTED TO KAUPPI THAT IF PROBLEMS ARE IGNORED, THEY MAY WELL

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GROW SERIOUS, BUT IF IDENTIFIED AND SOLVED IT MIGHT BE POSSIBLE TO ALLEVIATE THEM BEFORE THEY REACH CRITICAL PROPORTIONS. SUCH A COURSE WAS IN THE INTEREST BOTH POLITICALLY AND ECONOMICALLY OF ALL OECD MEMBERS.

4. KAUPPI REPEATED THAT HIS APPROACH WAS NOT INSTRUCTED BUT SAID IT PROBABLY REFLECTED CONCERNS HIS AUTHORITIES IN HELSINKI WOULD HAVE WITH THE SECRETARIAT PAPER. HE ASKED IF WE COULD INFORM HIM WHEN WE HAD ANY FURTHER INFORMATION ON THE U.S. POSITION. WE SAID THAT WE WOULD CERTAINLY STAY IN CLOSE TOUCH, THOUGH WE DOUBTED THAT WASHINGTON WOULD FIND THE SECRETARIAT NOTE AS DRAMATIC AS THE FINNISH DEL HAD DONE.

5. COMMENT: THIS APPROACH REFLECTS THE CONTINUING NERVOUSNESS OF THE FINNS TOWARD THIS WHOLE EXERCISE, A NERVOUSNESS WHICH FINNISH DELEGATION TENDS TO DISPLAY SOMEWHAT MORE CLEARLY THAN SPOKESMEN FROM HELSINKI. WHILE FINNS COULD BE EXPECTED TO DIG IN THEIR HEELS AT ANY EFFORT TO ENCOURAGE OECD MEMBERS TO SET CREDIT CEILINGS OR ANYTHING OF THAT SORT, WE DOUBT THAT THEY WILL WISH TO BLOCK ONGOING STUDIES OF THE KIND SECRETARIAT HAS
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SUGGESTED IN PARAGRAPH 19, THOUGH THEIR PREFERENCE WOULD UNDOUBTEDLY BE TO SEE WHOLE EXERCISE FINALLY WRAPPED UP.

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